

OGC 62-9627

14 APR 1962

**MEMORANDUM FOR: Director of Central Intelligence**

**SUBJECT: Agency Utilization of Consultants**

1. This memorandum contains a recommendation in paragraph 6 for approval of the Director of Central Intelligence as a result of a joint study by the Inspector General's staff and the Office of General Counsel.

2. On 9 February 1962 the President addressed a memorandum to Heads of Executive Departments and Agencies, entitled, "Preventing Conflicts of Interest on the Part of Advisers and Consultants to the Government." This has helped to clarify many of the very complex problems arising out of the application of the conflict-of-interest statutes to intermittent consultants. As an example, it confirms officially the view heretofore generally held that consultants are employees of the Government within the meaning of certain of the conflict-of-interest statutes only on those days when actually consulting but adds a rule that if they spend more than 40 per cent of their time consulting they are considered full-time employees for the year of their consultant contract. The President's Memorandum adds to the administrative problem of handling consultants as the employing agency now must apply stricter controls and must require each consultant to furnish statements of financial interest.

3. This Agency currently carries on its rolls as part-time consultants approximately  persons representing a very broad spectrum of special knowledge. A listing of these individuals by Agency components is attached, prefaced by a summary showing the number sponsored by each component. The Presidential Memorandum is chiefly directed to consultants with specialized

SECRET

scientific knowledge and skills. Most of these in our case are listed under DPD, TSD, and OSI, and presumably will be utilized by the Deputy Director (Research). Some 50 of the individuals listed are not in reality used as consultants within the meaning of the Presidential Memorandum and should, therefore, be removed from the list of consultants and given a designation more accurately describing their relationship with the Agency. As regards eight other individuals who, although properly carried as consultants, have not functioned as such within the last two years, we feel that in view of the burden of the new administrative requirements in handling consultants, these individuals should be removed from the list because of nonuse, unless the components who originally utilized them contemplate further utilization within the reasonably near future. If both these actions be taken, the number of individuals properly carried as consultants totals [redacted]. The individuals suggested for removal are identified in the attached list.

25X1

4. We have reviewed the Agency's utilization of these individuals to determine if there are or appear to be any conflicts of interest which would be barred under the Presidential Memorandum, and we have discussed the interpretation and application of the Memorandum with the Office of Legal Counsel, Department of Justice. In the great majority of the cases there appears to be no problem whatsoever. There are three cases in which we have contracts with the firms by which the consultants are employed. However, the record appears clear that the individuals we utilize played no part in negotiations and did not influence the award of the contracts. We discussed these three cases specifically with the Department of Justice, and it felt there was no prohibited conflict. In the case of [redacted] who is under contract to the Agency [redacted]

25X1

25X1

25X1

conclude on the basis of all the information currently available that there are no conflicts of interest, real or apparent, in our current utilization of the individuals listed. Since, however, we must now require statements of financial interest from each consultant and the additional information thereby produced will have to be reviewed in each case by this office, a final conclusion cannot be stated at this time.

5. One of the most important points settled during our discussion with the Department of Justice on the use of consultants was that proprietary enterprises with legitimate corporate or other legally constituted entities would be regarded as having independent existence, and their directors, officers, and employees would not be considered as consultants to the Agency unless they acted as such on direct and independent appointments. This is consistent with our long-held concept of proprietaries, and persons affiliated with the Agency solely through their proprietary connection are eliminated from consideration in this paper. However, as a practical matter, based on the results of security investigations and other information, a considerable degree of control on possible conflicts of interest is maintained on proprietary personnel.

6. Our review of the consultant situation indicates there is currently no Agency-wide system for assuring compliance with the Presidential Memorandum on a continuing basis. This has been due to compartmentation in the Agency based on security and extreme sensitivity of some of the consultant relationships. Recognizing the validity of the security arguments, we still believe there should be a central focal point for all part-time individuals utilized by the Agency outside of proprietary and agent personnel. We recommend that the Director of Personnel be made responsible for maintaining the records of all such personnel in his own office on a most secure basis and be further responsible for assuring compliance with the Presidential Memorandum through the components that utilize the individuals. In this connection, our regulations will have to be adjusted to cover the new Presidential consultant rules. We will work with the Office of Personnel to develop an appropriate regulation and will provide guidance for the handling of consultants in accordance with the terms of the Presidential Memorandum.

S/ LAWRENCE R. HOUSTON

LAWRENCE R. HOUSTON  
General Counsel

Attachment

**CONCURRENCE, APPROVAL, AND DISTRIBUTION SHEET FOR  
MEMORANDUM TO DCI FROM GENERAL COUNSEL, 2 APR 62  
SUBJECT: AGENCY UTILIZATION OF CONSULTANTS (OGC 62-6627)**

**CONCUR**

SIGNED

[Redacted Signature]

**Acting Inspector General**

2 APR 1962

**Date**

**The recommendation in  
paragraph 6 is approved**

SIGNED

**JOHN A. McCONE  
Director**

                      
**Date**

**Distribution:**

**OHI-D/Personnel w/att  
1-DCI  
1-DDCI  
1-ER  
1-IG  
1-DD/S  
1-General Counsel w/cc of att  
OGC:LRH:jeb**